# *United States Senate*

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## FINANCE, COMMERCE LEADERS AGREE ON TAX PACKAGE TO BOOST FAA, HIGHWAY TRUST FUNDS

*Agreement provides for new satellite-based air traffic control system, fills highway trust fund holes*

***Washington, D.C.*** – Leaders on the Senate Finance and Commerce Committees today announced an agreement to begin funding a new satellite system for American air traffic control, and for U.S. infrastructure projects through the Highway Trust Fund. Finance Chairman Max Baucus (D-Mont.) and Commerce Subcommittee on Aviation Chairman Jay Rockefeller (D-W.Va.), along with Finance Ranking Member Chuck Grassley (R-Iowa) and Subcommittee Ranking Member Kay Bailey Hutchison (R-Tex.) agreed on modifications to the American Infrastructure Investment and Improvement Act passed by the Finance Committee to reauthorize the Airport and Airway Trust Fund (AATF) and fill 2009 shortfalls in the Highway Trust Fund. Final scores are pending from the Joint Committee on Taxation, but the Senators' agreement includes as much as $290 million in new funding each year to the AATF to finance the satellite-based NextGen air traffic system, and restores $5 billion to the Highway Trust Fund for 2009. The Senate is expected to vote on proceeding to the full FAA reauthorization bill on Monday, April 28.

**"Our quick action and cooperation on this bill reflects strong and continued commitment to the condition of our bridges, highways and air traffic control, and to the safety of all Americans. Americans need the good-paying jobs here at home that infrastructure projects create, and this country needs world-class infrastructure to compete on a global scale. And economic leadership through improved American competitiveness will create even more jobs here at home,"** said Baucus.

Rockefeller said, **"A modern aviation system is absolutely critical if we're going to get serious about the growing congestion of planes in the sky and delays on the runways. The price of modernization needs to be fairly shared by all users of the system. That's why we've started to level the playing field between commercial passengers and private jet owners. This legislation also recognizes the need to help keep people and commerce moving everywhere, and that's why we've improved the funding for Essential Air Service – a critical program to keeping our rural airports connected to the national aviation system."**

Grassley said, **"It's important to all communities, whether rural or urban, that people are able to travel efficiently and safely. This bipartisan package provides needed funding to continue infrastructure investments. It will provide resources for the next generation of air traffic control technology, increase safety, and ease congestion."**

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The NextGen system promises to make air travel safer and reduce delays for millions of airline passengers. In addition to reauthorizing the AATF, the agreement provides funding for this modernization of the air traffic control system. Funding is obtained as follows:

> **General Aviation:** The bill increases the General Aviation jet fuel tax from the current 21.8¢/gallon to 36¢/gallon. This will provide approximately $240 million per year in additional AATF funding.
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> **Fractionals**: Fractionals are partially (fractionally) owned aircraft, with parties owning shares of a plane. The bill would classify Fractionals as General Aviation jets for tax purposes. This portion of the bill will provide approximately $50 million per year in additional funding for AATF.

Also included is an $8 million provision eliminating the tax-exempt status of some light jet aircraft. Together, these provisions should provide at least $800 million in new funding over three years to implement the NextGen system.

The agreement also addresses looming shortfalls in the Highway Trust Fund. The Congressional Budget Office projects that the highway trust fund will face a significant 2009 shortfall, with further shortfalls in 2010 and beyond. The agreement will ensure the solvency of the Highway Trust Fund through 2009, as follows:

> **Replenishing Emergency Spending from Highway Trust Fund:** Since 1998, more than $3.3 billion has been spent from the Highway Trust Fund to respond to emergencies such as the September 11 attacks and several hurricanes. Unforeseen expenses as a result or terrorism or natural disasters should more appropriately be met by the General Fund. The proposal would replenish the Highway Trust Fund with a total of $3.4 billion.
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> **Suspending of Transfers from Highway Trust Fund for Certain Repayments and Credits.** Under present law, transfers are made from the Highway Trust Fund into the General Fund relating to amounts paid with regard to gasoline used on farms, used for some non-highway purposes or by local transit systems, relating to fuels not used for taxable purposes, and income tax credits for certain uses of fuels. The provision will discontinue these payments from the Highway Trust Fund for a limited time, saving $745 million for the Trust Fund.
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> **Fuel Fraud Provisions.** The Energy Advancement and Investment Act of 2007 approved by the Finance Committee in June contained several provisions to improve tax law compliance, including the taxation of tax finished gasoline at the refinery gate, the imposition of an excise tax on certain removals of taxable fuels from foreign trade zones, and treatment of qualified alcohol fuel mixtures as taxable fuel, among others. A final score from the Joint Committee on Taxation remains pending, but enactment of these anti-fraud provisions should provide approximately $900 million in new funding to the Highway Trust Fund by 2009.

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The General Fund costs of the agreement are fully offset as follows:

**Increasing and Extending the Oil Spill Liability Trust Fund Tax.** The Energy Advancement and Investment Act of 2007 contained a provision to increase the oil spill tax from five cents a barrel to 10 cents, effective for the first quarter that begins 60 days after date of enactment and sunset 12/31/2017. Enactment of this provision will provide approximately $3.5 billion to offset costs.

**Corporate Inversions**. Companies manipulating the U.S. worldwide tax system have avoided paying U.S. corporate income tax by setting up post office drops in tax haven countries. The American Jobs Creation Act taxing these "corporate inversions" applied to inversions occurring after March 4, 2003. The proposal would move the effective date back to March 20, 2002. This provision will provide approximately $1.2 billion to offset costs.

Additional provisions in the agreement include:

- A "Truth in Passenger Tax Disclosures" provision preventing airlines from presenting fuel surcharges as government-imposed taxes
- A requirement that new accruals in air carrier pension plans must be funded
- $1.7 billion in Liberty Zone incentives for New York City, offset by allowing Roth-style 457(b) retirement plans to pay taxes up-front rather than deferring until withdrawal of funds.
- Exemptions for some shippers from the Harbor Maintenance Tax at U.S. ports in the Great Lakes/St. Lawrence Seaway system.
- $1 billion in tax credit bonds for rail infrastructure, with a corresponding offset requiring individuals who expatriate to market their assets as of the day they depart the United States, and subjecting those gains to U.S. taxation.

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